

§ 159-28. Budgetary accounting for appropriations.

(a) Incurring Obligations. – No obligation may be incurred in a program, function, or activity accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year. No obligation may be incurred for a capital project or a grant project authorized by a project ordinance unless that project ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay the sums obligated by the transaction. Nothing in this section shall require a contract to be reduced to writing.

(a1) Preaudit Requirement. – If an obligation is reduced to a written contract or written agreement requiring the payment of money, or is evidenced by a written purchase order for supplies and materials, the written contract, agreement, or purchase order shall include on its face a certificate stating that the instrument has been preaudited to assure compliance with subsection (a) of this section. The certificate, which shall be signed by the finance officer, or any deputy finance officer approved for this purpose by the governing board, shall take substantially the following form:

"This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act.

(Signature of finance officer)."

(a2) Failure to Preaudit. – An obligation incurred in violation of subsection (a) or (a1) of this section is invalid and may not be enforced. The finance officer shall establish procedures to assure compliance with this section, in accordance with any rules adopted by the Local Government Commission.

(b) Disbursements. – When a bill, invoice, or other claim against a local government or public authority is presented, the finance officer shall either approve or disapprove the necessary disbursement. If the claim involves a program, function, or activity accounted for in a fund included in the budget ordinance or a capital project or a grant project authorized by a project ordinance, the finance officer may approve the claim only if both of the following apply:

- (1) The finance officer determines the amount to be payable.
- (2) The budget ordinance or a project ordinance includes an appropriation authorizing the expenditure and either (i) an encumbrance has been previously created for the transaction or (ii) an unencumbered balance remains in the appropriation sufficient to pay the amount to be disbursed.

The finance officer may approve a bill, invoice, or other claim requiring disbursement from an intragovernmental service fund or trust or agency fund not included in the budget ordinance, only if the amount claimed is determined to be payable. A bill, invoice, or other claim may not be paid unless it has been approved by the finance officer or, under subsection (c) of this section, by the governing board. The finance officer shall establish procedures to assure compliance with this subsection, in accordance with any rules adopted by the Local Government Commission.

(c) Governing Board Approval of Bills, Invoices, or Claims. – The governing board may, as permitted by this subsection, approve a bill, invoice, or other claim against the local government or public authority that has been disapproved by the finance officer. The governing board may not approve a claim for which no appropriation appears in the budget ordinance or in a project ordinance, or for which the appropriation contains no encumbrance and the unencumbered balance is less than the amount to be paid. The governing board shall approve payment by formal resolution stating the board's reasons for allowing the bill, invoice, or other

claim. The resolution shall be entered in the minutes together with the names of those voting in the affirmative. The chairman of the board, or some other member designated for this purpose, shall sign the certificate on the check or draft given in payment of the bill, invoice, or other claim. If payment results in a violation of law, each member of the board voting to allow payment is jointly and severally liable for the full amount of the check or draft given in payment.

(d) Payment. – A local government or public authority may not pay a bill, invoice, salary, or other claim except by any of the following methods:

- (1) Check or draft on an official depository.
- (2) Bank wire transfer from an official depository.
- (3) Electronic payment or an electronic funds transfer originated by the local government or public authority through an official depository.
- (4) Cash, if the local government has adopted an ordinance authorizing the use of cash, and specifying the limits of the use of cash.

(d1) Except as provided in this section, each check or draft on an official depository shall bear on its face a certificate signed by the finance officer or a deputy finance officer approved for this purpose by the governing board (or signed by the chairman or some other member of the board pursuant to subsection (c) of this section). The certificate shall take substantially the following form:

"This disbursement has been approved as required by the Local Government Budget and Fiscal Control Act.

(Signature of finance officer)."

(d2) An electronic payment or electronic funds transfer shall be subject to the preaudit process in accordance with this section and any rules adopted by the Local Government Commission. The rules so adopted shall address execution of electronic payment or electronic funds transfer and how to indicate that the finance officer or duly appointed deputy finance officer has performed the preaudit process in accordance with this section. A finance officer or duly appointed deputy finance officer shall be presumed in compliance with this section if the finance officer or duly appointed deputy finance officer complies with the rules adopted by the Local Government Commission.

(e) Penalties. – If an officer or employee of a local government or public authority incurs an obligation or pays out or causes to be paid out any funds in violation of this section, that officer or employee, and the sureties on any official bond for that officer or employee, are liable for any sums so committed or disbursed. If the finance officer or any duly appointed deputy finance officer gives a false certificate to any contract, agreement, purchase order, check, draft, or other document, the finance officer or duly appointed deputy finance officer, and the sureties on any official bond, are liable for any sums illegally committed or disbursed thereby. The governing board shall determine, by resolution, if payment from the official bond shall be sought and if the governing body will seek a judgment from the finance officer or duly appointed deputy finance officer for any deficiencies in the amount.

(e1) Inclusion of the contract term in accordance with G.S. 143-133.3(b) shall be deemed in compliance with G.S. 143-133.3(a).

(f) The certifications required by subsections (a1) and (d1) of this section shall not apply to any of the following:

- (1) An obligation or a document related to the obligation has been approved by the Local Government Commission.
- (2) Payroll expenditures, including all benefits for employees of the local government.

- (3) Electronic payments, as specified in rules adopted by the Local Government Commission.
- (g) As used in this section, the following terms shall have the following meanings:
 - (1) Electronic funds transfer. – A transfer of funds initiated by using an electronic terminal, a telephone, a computer, or magnetic tape to instruct or authorize a financial institution or its agent to credit or debit an account.
 - (2) Electronic payment. – Payment by charge card, credit card, debit card, gas card, procurement card, or electronic funds transfer. (1971, c. 780, s. 1; 1973, c. 474, ss. 22, 23; 1975, c. 514, s. 12; 1979, c. 402, ss. 7, 8; 2010-99, s. 1; 2012-156, s. 1; 2015-246, s. 6(a); 2015-294, s. 2.)